

Message Text

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16

ACTION EB-11

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TO SECSTATE WASHDC 7084

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E.O. 11652: N/A

TAGS: EIND, ETRD, MX

SUBJECT: US FERROUS SCRAP EXPORTS

REF: STATE 140083, JULY 17

1. ACCORDING TO NATIONAL IRON AND STEEL CHAMBER, MEXICO'S FERROUS SCRAP REQUIREMENTS FOR 1973 APPROXIMATELY 1,000,000 TONS OF WHICH SOME 80 PERCENT FOR LARGE CONSUMERS PURCHASING IN LOTS OF GREATER THAN 500 TONS. MEXICAN DEMAND IN 1973 IS ROUGHLY DOUBLE THAT OF 1972. STATE 136432 INDICATES MEXICAN SCRAP IMPORTS FROM US JAN-MAY 1973 WERE 429,000 TONS. DEPARTMENT SHOULD ADD SCRAP EXPORTS TO MEXICO FROM JUNE 1 THROUGH TODAY'S DATE TO THIS FIGURE, DEDUCT AMOUNT REPRESENTING SHIPMENTS IN LESS THAN 500 TON LOTS, AND THEN DEDUCT THE SUB-TOTAL FROM 800,000 TONS. THUS ESTIMATE CAN BE REACHED OF AMOUNT FERROUS SCRAP THAT WOULD BE EXPORTED TO MEXICO BETWEEN NOW AND DEC. 31, 1973, IN SHIPMENTS OF GREATER THAN 500 TONS IF EXPORT ORDERS ACCEPTED AFTER JULY 1 WERE TO BE LICENSED. SPOT CHECK WITH HYLSA, LARGEST SINGLE IMPORTER OF SCRAP ACCOUNTING FOR ABOUT 60 PERCENT OF TOTAL IMPORTS, TENDS TO CONFIRM CHAMBER'S ESTIMATES.

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2. ACCORDING TO CHAMBER, SHARP INCREASE IN MEXICAN DEMAND

FOR SCRAP DUE LARGELY TO INSUFFICIENT SUPPLY ELECTRICITY AND GAS IN MONTERREY AND PUEBLA. LARGE IRON AND STEEL PLANTS SUCH AS HYLSA THAT UTILIZED SPONGE IRON IN 1972 HAVE HAD TO SUBSTITUTE SCRAP WHICH REQUIRES LESS GAS AND ELECTRICITY TO WORK.

3. MEXICAN GOVERNMENT HAS FOR MANY YEARS RESTRICTED EXPORT OF MOST TYPES OF FERROUS SCRAP. EXPORT OF SCRAP NOT SUITABLE FOR STEEL INDUSTRY REQUIRES LICENSE. SCRAP EXPORTS FROM FREE ZONES OF TIJUANA AND MEXICALI, WHICH FORMERLY EXEMPT FROM LICENSING REQUIREMENT, ALSO REQUIRE LICENSE AS OF APRIL 5, 1973. THIS MEASURE TAKEN IN FACE OF RAPIDLY EXPANDING JAPANESE PURCHASES IN FREE ZONES. THERE ARE NO RESTRICTIONS, HOWEVER, ON IN-BOUND (BORDER INDUSTRY) PLANTS THAT CURRENTLY PROCESSING SCRAP IN MEXICALI FOR SALE IN US.

4. IRON AND STEEL CHAMBER IN CONSTANT SESSIONS WITH MEMBERS ATTEMPTING TO FIND REMEDY FOR ANTICIPATED SHORTAGES SCRAP. CHAMBER ALLEGES THAT CURRENT US RESTRICTIONS WILL CAUSE SERIOUS DAMAGE TO LOCAL INDUSTRY. MCBRIDE

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